

HOUSE BILL 38

I1, I2

6lr1409

(PRE-FILED)

By: **Delegate Queen**

Requested: October 28, 2025

Introduced and read first time: January 14, 2026

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Financial Institutions – Licensing of Affiliated Insurance Producer–Mortgage**
3 **Loan Originators – Alteration**

4 FOR the purpose of requiring the Commissioner of Financial Regulation to approve a
5 certain mortgage lender that meets certain criteria as an affiliated insurance
6 producer–mortgage loan originator under certain circumstances; and generally
7 relating to licensing of affiliated insurance producer–mortgage loan originators.

8 BY repealing and reenacting, with amendments,
9 Article – Financial Institutions
10 Section 11–603.1 and 11–619
11 Annotated Code of Maryland
12 (2020 Replacement Volume and 2025 Supplement)

13 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
14 That the Laws of Maryland read as follows:

15 **Article – Financial Institutions**

16 11–603.1.

17 (a) In this section, “affiliated insurance producer–mortgage loan originator”
18 means an individual who:

19 (1) Originates mortgage loans only on behalf of [a]:

20 (I) A single financial institution that is:

21 [(i)] 1. Described in § 11–502(b)(1) of this title; and

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 [(ii)] 2. Approved by the Commissioner under subsection (b) of
2 this section; **OR**

3 **(II) A SINGLE MORTGAGE LENDER AS DEFINED IN § 11-501 OF**
4 **THIS TITLE THAT IS:**

5 1. **NOT A FINANCIAL INSTITUTION; AND**

6 2. **APPROVED BY THE COMMISSIONER UNDER**
7 **SUBSECTION (C) OF THIS SECTION;**

8 (2) Is a licensed insurance producer in good standing under § 10-103 of the
9 Insurance Article; and

10 (3) Holds an appointment as an insurance producer for an insurer that
11 controls, is controlled by, or is under common control with:

12 (i) The financial institution **OR THE MORTGAGE LENDER**
13 described in item (1) of this subsection; or

14 (ii) A mortgage lender licensee that:

15 1. Is approved by the Commissioner under subsection [(c)]
16 **(D)** of this section; and

17 2. Originates loans only on behalf of the financial institution
18 **OR THE MORTGAGE LENDER** described in item (1) of this subsection under an exclusive
19 contract with the financial institution **OR THE MORTGAGE LENDER**.

20 (b) The Commissioner shall approve a financial institution described in
21 subsection [(a)(1)] **(A)(1)(I)** of this section based on the following criteria:

22 (1) The financial institution is in good standing with its primary state or
23 federal regulator; and

24 (2) The financial institution is in material compliance with applicable state
25 and federal law.

26 **(C) THE COMMISSIONER SHALL APPROVE A MORTGAGE LENDER**
27 **DESCRIBED IN SUBSECTION (A)(1)(II) OF THIS SECTION BASED ON THE FOLLOWING**
28 **CRITERIA:**

29 **(1) THE MORTGAGE LENDER IS IN GOOD STANDING WITH THE**
30 **COMMISSIONER AND ANY OTHER REGULATOR TO WHICH IT IS SUBJECT; AND**

1 **(2) THE MORTGAGE LENDER IS IN MATERIAL COMPLIANCE WITH**
2 **APPLICABLE STATE AND FEDERAL LAW.**

3 **[(c)] (D)** The Commissioner shall approve a mortgage lender licensee described
4 in subsection (a)(3)(ii) of this section based on the following criteria:

5 (1) The mortgage lender licensee is in good standing with the
6 Commissioner and any other regulator to which it is subject; and

7 (2) The mortgage lender licensee is in material compliance with applicable
8 state and federal law.

9 **[(d)] (E)** Approval by the Commissioner of a financial institution under
10 subsection (b) of this section, **A MORTGAGE LENDER UNDER SUBSECTION (C) OF THIS**
11 **SECTION**, and a mortgage lender licensee under subsection **[(c)] (D)** of this section shall be
12 in writing.

13 **[(e)] (F)** (1) An application for a license under this section shall be in the form
14 approved by the Commissioner.

15 (2) The application shall require the identification of:

16 (i) The financial institution described in subsection **[(a)(1)]**
17 **(A)(1)(I)** of this section **OR THE MORTGAGE LENDER DESCRIBED IN SUBSECTION**
18 **(A)(1)(II) OF THIS SECTION;**

19 (ii) If applicable, the mortgage lender licensee described in
20 subsection (a)(3)(ii) of this section; and

21 (iii) The insurer with which the applicant holds an appointment.

22 (3) An application for a license under this section shall be signed by an
23 authorized representative of:

24 (i) The financial institution **OR THE MORTGAGE LENDER**
25 identified in the application; or

26 (ii) If a mortgage lender licensee is identified in the application, the
27 mortgage lender licensee.

28 **[(f)] (G)** Notwithstanding §§ 11–602(a) and 11–603 of this subtitle, and subject
29 to the provisions of this section, a license issued under this section authorizes the licensee
30 to act as a mortgage loan originator.

1 **[(g)] (H)** An applicant for a license under this section and a licensee under this
2 section shall comply with all other requirements for **[licensure] LICENSING** as a mortgage
3 loan originator under this subtitle.

4 **[(h)] (I)** A licensee under this section shall limit the licensee's activities to
5 originating mortgage loans only on behalf of **[a]**:

6 **(1)** A single financial institution approved by the Commissioner under
7 subsection (b) of this section; **OR**

8 **(2)** **A SINGLE MORTGAGE LENDER APPROVED BY THE COMMISSIONER**
9 **UNDER SUBSECTION (C) OF THIS SECTION.**

10 **[(i)] (J)** The financial institution **OR THE MORTGAGE LENDER** identified in a
11 licensee's license application or, if a mortgage lender licensee is identified in a licensee's
12 license application, the mortgage lender licensee shall:

13 (1) Supervise the licensee, including providing direction through written
14 instructions or electronic means and by periodically examining the licensee's books,
15 records, and other aspects of the licensee's business;

16 (2) Be held jointly and severally liable with the licensee for claims arising
17 out of the licensee's mortgage loan origination activities; and

18 (3) Meet, or cause the licensee to meet, the surety bond requirements under
19 § 11-619(c) of this subtitle.

20 **[(j)] (K)** Except as provided in subsection **[(k)] (L)** of this section, a licensee
21 under this section may not:

22 (1) Aid or assist a borrower to obtain a mortgage loan from **[a]**:

23 **(I)** A financial institution other than the financial institution
24 identified in the licensee's license application; **OR**

25 **(II)** **A MORTGAGE LENDER OTHER THAN THE MORTGAGE**
26 **LENDER IDENTIFIED IN THE LICENSEE'S APPLICATION;**

27 (2) Except for compensation based on the principal balance of a mortgage
28 loan, be compensated by any person for mortgage loan origination activities on a basis that
29 depends on the terms of the mortgage loan, including interest rate or fees;

30 (3) Receive a finder's fee, as defined in § 12-801 of the Commercial Law
31 Article;

1 (4) Handle borrower or other third party funds in connection with the
2 origination or closing of a mortgage loan;

3 (5) Refer a borrower to any other licensee under Subtitle 5 of this title; or

4 (6) Make or service a mortgage loan.

5 **[(k)] (L)** A licensee under this section may forward a check to the financial
6 institution **OR THE MORTGAGE LENDER** identified in the licensee's license application if
7 the check is:

8 (1) Made payable to the financial institution **OR THE MORTGAGE**
9 **LENDER;**

10 (2) From an applicant for a mortgage loan; and

11 (3) In connection with an application for a mortgage loan to cover costs for:

12 (i) An appraisal;

13 (ii) A credit report; or

14 (iii) Processing the application.

15 **[(l)] (M)** (1) An individual may not act as an affiliated insurance
16 producer–mortgage loan originator under a name or for **[an employer] A SPONSOR** that is
17 different from the name and **[employer] SPONSOR** that appear on the license unless the
18 licensee:

19 (i) Notifies the Commissioner, in the form and in accordance with
20 the process that the Commissioner requires, in advance of a change in the licensee's name
21 or the licensee's **[employer] SPONSOR;**

22 (ii) Pays to the Commissioner a license amendment fee set by the
23 Commissioner for each notice provided under item (i) of this paragraph; and

24 (iii) In the case of a new **[employer] SPONSOR**, amends the
25 sponsorship information on NMLS by submitting the amendment in the form required by
26 the Commissioner to indicate that the licensee is **[an employee of] SPONSORED BY** the new
27 **[employer] SPONSOR.**

28 (2) If a licensee ceases to be **[employed] SPONSORED** by a financial
29 institution approved by the Commissioner under subsection (b) of this section **OR A**
30 **MORTGAGE LENDER APPROVED BY THE COMMISSIONER UNDER SUBSECTION (C) OF**
31 **THIS SECTION**, the licensee shall notify the Commissioner within 10 business days, and
32 the license shall be placed into nonactive status through NMLS.

1 (3) During the time that a license is in nonactive status, it is a violation of
2 this subtitle for the licensee to engage in any activity for which a license is required under
3 this subtitle.

4 (4) The license shall remain in nonactive status until the licensee:

5 (i) Notifies the Commissioner, in the form and in accordance with
6 the process that the Commissioner requires, that the licensee has obtained [employment
7 with] **SPONSORSHIP FROM** a financial institution that is approved by the Commissioner
8 under subsection (b) of this section **OR A MORTGAGE LENDER THAT IS APPROVED BY**
9 **THE COMMISSIONER UNDER SUBSECTION (C) OF THIS SECTION**; and

10 (ii) Has complied with the requirements set forth in paragraph (1) of
11 this subsection.

12 [(m)] **(N)** The Commissioner may issue a license under this subtitle to an
13 individual who is not [employed] **SPONSORED** by a financial institution approved by the
14 Commissioner under subsection (b) of this section **OR A MORTGAGE LENDER APPROVED**
15 **BY THE COMMISSIONER UNDER SUBSECTION (C) OF THIS SECTION**, provided that the
16 license is placed into and remains in nonactive status until the licensee:

17 (1) Notifies the Commissioner, in the form and in accordance with the
18 process that the Commissioner requires, that the licensee has obtained [employment with
19 a] **SPONSORSHIP FROM**:

20 **(I)** A financial institution approved by the Commissioner under
21 subsection (b) of this section; **OR**

22 **(II)** **A MORTGAGE LENDER APPROVED BY THE COMMISSIONER**
23 **UNDER SUBSECTION (C) OF THIS SECTION**; and

24 (2) Has complied with the requirements set forth in subsection [(l)(1)]
25 **(M)(1)** of this section.

26 11-619.

27 (a) Each mortgage loan originator shall be covered by a surety bond in accordance
28 with this section.

29 (b) (1) A mortgage loan originator who is an employee of a person subject to
30 licensure under Subtitle 5 of this title may use the surety bond of that person to meet the
31 mortgage loan originator's surety bond requirement.

32 (2) A mortgage loan originator who is an employee of a person exempt from
33 licensure under Subtitle 5 of this title may use a surety bond of the person to meet the

1 mortgage loan originator's surety bond requirement, provided the surety bond meets the
2 requirements, based on mortgage loan volume, under § 11–508 of this title.

3 (c) A licensee who is an affiliated insurance producer–mortgage loan originator
4 shall be deemed in compliance with this section if the licensee:

5 (1) Holds a surety bond that would satisfy the surety bond requirements
6 under § 11–508 of this title if the affiliated insurance producer–mortgage loan originator
7 were a licensee under Subtitle 5 of this title; or

8 (2) Is covered under a blanket surety bond held by the financial institution,
9 **MORTGAGE LENDER**, or mortgage lender licensee identified in § 11–603.1(a)(3) of this
10 subtitle if the blanket surety bond:

11 (i) Covers all affiliated insurance producer–mortgage loan
12 originators; and

13 (ii) Is in the amount of \$1,000,000 or another amount as required by
14 the Commissioner by regulation.

15 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
16 October 1, 2026.